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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in South China Holdings Limited, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

DISCLOSEABLE TRANSACTION

RELATING TO

THE ACQUISITION OF 87% OF THE TRANSFERRED NET ASSETS IN THE TRANSFER ENTERPRISE AND SET UP OF THE JOINT VENTURE

DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

“Acquisition”	the acquisition of 87% of the Transferred Net Assets in the Transfer Enterprise pursuant to the Agreement made between the Transferor and the Transferee
“Agreement”	產權交易合同 (Assets Transfer Contract) dated 13 May 2006 entered into between the Transferor and the Transferee for the Acquisition and set up of the Joint Venture
“Announcement”	The announcement dated 24 May 2006 jointly made by the Company and SCI containing, among others, details of the Acquisition and the set up of the Joint Venture
“associates”	has the meaning ascribed thereto under the Listing Rules
“Company” or “SCH”	South China Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Completion Date”	the date of signing of the confirmation of transfer in respect of the Transferred Net Assets by the Transferor and the Transferee which will be taken place after the payment of the consideration
“Completion”	completion of the Acquisition
“Corporate Restructuring Program”	a government policy promoting the corporate restructuring program namely 三聯動 for the transformation of state owned enterprise to private enterprise in Nanjing whereby assets, liabilities and employer’s duties of state owned enterprises including inter alias, the employment, retirement and social security scheme of the existing employees of state owned enterprises, are being dealt with
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

DEFINITIONS

“Joint Venture”	南京微分電機有限公司, a joint venture to be formed to take up the Transferred Net Assets, in which the Transferor and the Transferee will hold 13% and 87% equity interest respectively
“Latest Practicable Date”	12 June 2006, being the Latest Practicable Date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Land Interests”	interests in 5 pieces of land in Nanjing held by the Transfer Enterprise, details of the Land Interests are disclosed in the paragraph headed “Details of the Land Interests”
“Nanjing SC Dafang”	Nanjing South China Dafang Electric Co., Ltd., a joint venture incorporated in the PRC, with 49% and 51% equity interest held by the Transfer Enterprise and the Transferee respectively, is an associate of each of the Company and SCI. Its principal activities are property holding, manufacturing and sales of micro-motors and after sales services. Upon completion, the Transferee holds directly 51% equity interest in Nanjing SC Dafang and the remaining 49% equity interest will be held through the Joint Venture in which the Transferee will hold 87% equity interest
“PRC”	The People’s Republic of China
“RMB”	Reminbi, the lawful currency of the PRC
“SCI”	South China Industries Limited, an exempted company incorporated in the Cayman Islands with limited liabilities, the shares of which are listed on the Stock Exchange. As at the Latest Practicable Date, the Company holds approximately 74.79% of the total issued share capital of SCI
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transferee”	Calming Investments Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of SCI

DEFINITIONS

“Transferor”	南京機電產業(集團)有限公司, a state owned enterprise incorporated in the PRC and its principal activity is investment holding including holding the equity interest in the Transfer Enterprise
“Transferred Net Assets”	The Transferred Net Assets represent (1) the total assets (including Land Interests and 49% equity interest in Nanjing SC Dafang) and total liabilities of the Transfer Enterprise; and (2) a provision for 職工安置備用金 (employees resettlement reserve fund) of approximately RMB35 million
“Transfer Enterprise”	南京微分電機廠 (includes 南京微分電機廠勞動服務公司), a state owned enterprise incorporated in the PRC and a wholly owned subsidiary of the Transferor, which principal activities are holding (i) 49% equity interest in Nanjing SC Dafang; and (ii) certain Land Interests in Nanjing, the PRC
“Valuation”	valuation of Land Interests as at 30 June 2005 performed by the PRC appraisers namely “南京泰衡房地產評估諮詢有限公司” on open market value basis with aggregate appraised value of approximately RMB57.7 million. To the best knowledge, information and belief of the directors of the Company and SCI; after all reasonable enquiry, the PRC appraisers are third parties independent of the Company, SCI, the Transferor, the Transfer Enterprise and their respective connected persons
“%”	per cent

LETTER FROM THE BOARD



SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

Executive Directors:

Mr. Ng Hung Sang (*Chairman*)
Mr. Richard Howard Gorges
Ms. Cheung Choi Ngor
Mr. Ng Yuk Fung, Peter

Non-executive Directors:

Mr. David Michael Norman
Ms. Ng Yuk Mui, Jessica

Independent Non-executive Directors:

Mr. David John Blackett
Ms. Wong Siu Yin, Elizabeth
Mr. Cheng Hong Kei

Registered office:

Offshore Incorporations
(Cayman) Limited
Scotia Centre, 4th Floor
P.O. Box 2804
George Town
Grand Cayman
Cayman Islands

***Head Office and Principal Place
of Business in Hong Kong***

28/F., Bank of China Tower
1 Garden Road, Central
Hong Kong

14 June 2006

To the shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
RELATING TO
THE ACQUISITION OF 87% OF THE TRANSFERRED NET ASSETS IN
THE TRANSFER ENTERPRISE AND SET UP
OF THE JOINT VENTURE**

INTRODUCTION

The board of directors of each of the Company and SCI jointly announced that on 13 May 2006, Calming Investments Limited, a wholly owned subsidiary of SCI, entered into the Agreement with the Transferor pursuant to which the Transferee will acquire 87% of the Transferred Net Assets in the Transfer Enterprise at a consideration of RMB41,655,600. Pursuant to the Agreement, both the Transferor and the Transferee agreed to set up the Joint Venture by injecting, in aggregate, 100% of the Transferred Net Assets in the Transfer Enterprise to the Joint Venture and as a result, the Transferor and the Transferee will hold 13% and 87% equity interest in the Joint Venture respectively.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further information, among others, of the Acquisition and the set up of the Joint Venture which constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

THE AGREEMENT

Date : 13 May 2006

Parties

Transferor : 南京機電產業(集團)有限公司. To the best knowledge, information and belief of the Directors and the directors of SCI, after all reasonable enquiry, the Transferor together with its beneficial owners are third parties independent of the Company and SCI and connected persons of the Company and SCI

Transferee : Calming Investments Limited, a wholly owned subsidiary of SCI

Assets to be acquired : 87% of the Transferred Net Assets of the Transfer Enterprise

The Transferred Net Assets represent (1) the total assets (including Land Interests and 49% equity interest in Nanjing SC Dafang) and total liabilities of the Transfer Enterprise; and (2) a provision for 職工安置備用金 (employees resettlement reserve fund) of approximately RMB35 million.

The employees resettlement reserve fund was provided for based on the number of existing employees under employment, the retired and the spouse of the deceased, the maximum number of years vested for the benefit and the terms of contracts. The employees resettlement reserve fund has not been provided for in the books of the Transfer Enterprise. It will be taken up by the Joint Venture when the employees are transferred to the same.

The Transferor and the Transferee will proceed to set up the Joint Venture once the Agreement is approved by the relevant authority (Ministry of Foreign Trade and Economic Cooperation). Upon the set up of the Joint Venture, 100% of the Transferred Net Assets will be injected in the Joint Venture of which 87% and 13% of the Transferred Net Assets will be used to settle the capital commitment of the Transferee and the Transferor respectively in the Joint Venture.

LETTER FROM THE BOARD

Both the loss before and after taxation and extraordinary item of the Transfer Enterprise for the year ended 31 December 2004 was approximately RMB17,381,000. Both the loss before and after taxation and extraordinary item of Nanjing SC Dafang for the year ended 31 December 2004 was approximately RMB491,000. Both the loss before and after taxation and extraordinary item of the Transfer Enterprise for the year ended 31 December 2005 was approximately RMB444,000. Both the loss before and after taxation and extraordinary item of Nanjing SC Dafang for the year ended 31 December 2005 was approximately RMB737,000. The net assets value of the Transfer Enterprise per its statutory accounts as at 31 December 2005 was approximately RMB28 million (which does not include the Valuation of the Land Interests).

The net assets value of Nanjing SC Dafang as at 31 December 2005 was approximately RMB44 million.

Details of the Land Interests	:	Address	Usage	Site Area (sq. m.)
		中國南京市鼓樓區獅子橋2號， 雲南北路28號 (28 Yunnan North Road, No. 2 Shiziqiao, Gulou District, Nanjing, the PRC)	Commercial/ Rental	21,962.5
		中國南京市白下區解放路36號 (36 Jiefang Road, Baixia District, Nanjing, the PRC)	Residential/ Self-occupied	786.1
		中國南京市白下區解放路36號 (36 Jiefang Road, Baixia District, Nanjing, the PRC)	Commercial/ Rental	2,290.4
		中國南京市鼓樓區丁家橋街道 湖北路63號 (63 Hubei Road, Dingjiaqiao Avenue, Gulou District, Nanjing, the PRC)	Residential/ Self-occupied	1,188.9
		中國南京市鼓樓區獅子橋32號 (32 Shiziqiao, Gulou District, Nanjing, the PRC)	Commercial/ Rental	795.0

LETTER FROM THE BOARD

- Consideration : RMB41,655,600. The consideration has been arrived at after arm's length negotiations between the parties involved and was determined by reference to 87% of the value of the Transferred Net Assets (which is determined based on the (1) adjusted book value as at 30 June 2005 of (i) total assets (included Land Interests) of approximately RMB129 million as adjusted for the Valuation and (ii) total liabilities of approximately RMB65 million of the Transfer Enterprise valued as approximately RMB64 million and (2) a provision of 職工安置備用金 (employees resettlement reserve fund) of approximately RMB35 million) and taking into account the good locations and investment potential of the Land Interests.
- Payment arrangement : The consideration of RMB41,655,600 for the Acquisition shall be satisfied in cash and payable within ten (10) working days after the relevant authority (Ministry of Foreign Trade and Economic Cooperation) approves the Agreement signed by the Transferor and the Transferee.
- Other Material Terms : 1. The Transferee warrants the Joint Venture will unconditionally accept and implement the proposals for staff arrangement together with the corresponding supplements as stipulated in the resolutions passed by the union of the Transfer Enterprise on 24 July 2005; and implement the requirements set out in the Corporate Restructuring Program. Under the Corporate Restructuring Program, the Joint Venture is required to take up the existing employees of the Transfer Enterprise to avoid redundancy.
2. The Transferee warrants the Joint Venture will pledge appropriate securities (land titles or cash or assets equivalents) for its commitment for 職工安置備用金 (employees resettlement reserve fund) to the Transferor which serves as the monitoring body for fulfillment of the obligation by the Joint Venture under the Corporate Restructuring Program.

COMPLETION DATE

The Completion Date will be the date of signing of the confirmation of transfer in respect of the Transferred Net Assets by the Transferor and the Transferee which will take place after the payment of the consideration.

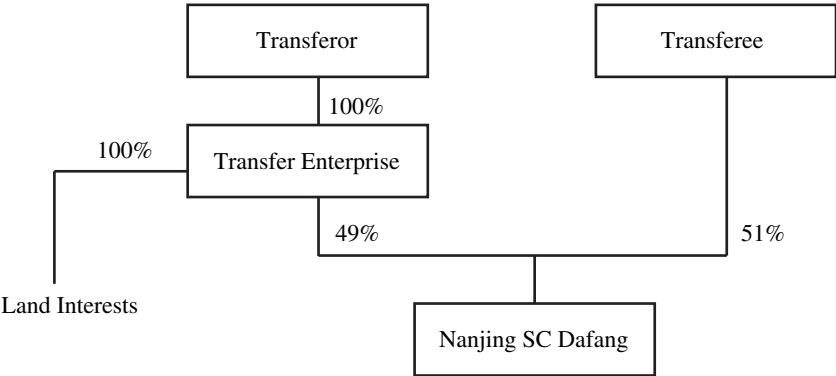
LETTER FROM THE BOARD

COMPLETION

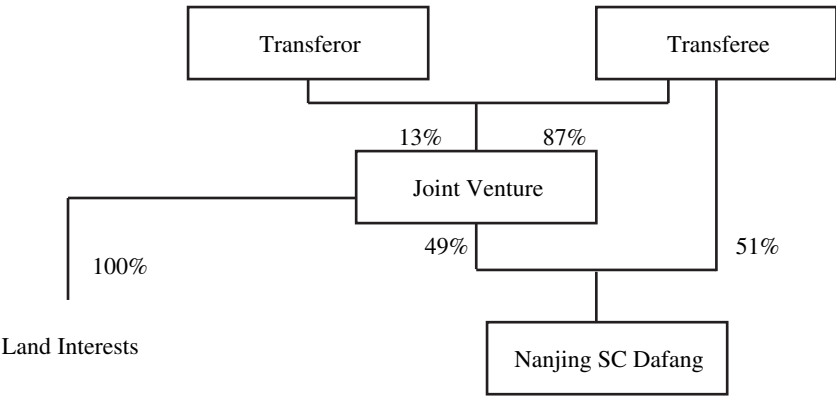
Completion shall take place on Completion Date. Other than the approval of the Agreement by the relevant authority (Ministry of Foreign Trade and Economic Cooperation), there is no condition precedent for the Completion and no approval other than the registration approval in the ordinary course of formation of joint venture is required for the Acquisition and the set up of the Joint Venture.

STRUCTURES

The group structure before the Acquisition:



The group structure upon set up of the Joint Venture:



Note: The Transferred Net Assets of the Transfer Enterprise will be transferred to the Joint Venture upon its formation.

LETTER FROM THE BOARD

REASONS FOR THE TRANSACTION

The Transfer Enterprise is one of the state owned enterprises shortlisted by the government to undergo the Corporate Restructuring Program and the Acquisition allows the Transferee to take a controlling stake in Nanjing SC Dafang as well as other valuable Land Interests in Nanjing through the holding of 87% equity interest in the Joint Venture.

Before the Acquisition, the Transferee holds 51% in Nanjing SC Dafang. As the Transferee is not able to exercise control over the financial and operating policies of Nanjing SC Dafang, it was accounted for as an associate of the Transferee in the prior years. Upon completion, the Transferee holds directly 51% and indirectly 49% (through its 87% owned Joint Venture) interest in Nanjing SC Dafang.

The directors of SCI consider that the terms and conditions of the Agreement are fair and reasonable and the Acquisition is in the interests of SCI and its shareholders as a whole.

The Directors concur with the view of the directors of SCI that the terms and conditions of the Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the shareholders as a whole.

INFORMATION ON THE COMPANY

The Company is an investment holding company. Its subsidiaries and associates are principally engaged in the trading and manufacturing, securities, bullion and commodities brokerage and trading, margin financing, money lending, provision of corporate advisory services and underwriting services, information technology, property investment and development, agriculture, implementation and marketing of software applications, publishing and printing business, marketing and promotional services, sale of air ticket and travel related businesses.

INFORMATION ON SCI

SCI is an investment holding company. Its subsidiaries and associates are principally engaged in the manufacturing and trading of toys, compressors, shoes, metal tooling, leather products, motors, machinery, capacitors, clothing, property investment and development, agriculture, information technology and travel related businesses. The Company beneficially holds 74.79% of the total issued share capital of SCI.

INFORMATION ON THE TRANSFEROR AND TRANSFER ENTERPRISE

The Transferor is a state owned enterprise in the PRC and its principal activity is investment holding including holding the equity interest in the Transfer Enterprise.

The Transfer Enterprise is a state owned enterprise in the PRC and its principal activities are holding (i) 49% equity interest in Nanjing SC Dafang; and (ii) certain Land Interests in Nanjing, the PRC. The Transfer Enterprise is a wholly owned subsidiary of the Transferor.

LETTER FROM THE BOARD

To the best knowledge, information and belief of the directors of the Company and SCI, after all reasonable enquiry, the Transfer Enterprise, the Transferor together with its beneficial owner(s) are third parties independent of the Company and SCI and connected persons of the Company and SCI.

FINANCIAL EFFECT OF THE ACQUISITION AND THE SET UP OF THE JOINT VENTURE

Upon the completion of the Acquisition, the total assets and liabilities will increase and both the Joint Venture and Nanjing SC Dafang will be accounted for as subsidiaries.

GENERAL

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules for the Acquisition represent more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

OTHER INFORMATION

Your attention is also drawn to the general information set out in the Appendix of this circular.

Yours faithfully,
For and on behalf of the Board
Cheung Choi Ngor
Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors and Chief Executives in the shares, underlying shares or debenture of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of HK\$0.025 each of the Company:

Name of Director	Note	Number of shares held, capacity and nature of interest			Approximate Percentage of the Company’s issued share capital
		Directly beneficiary owned	Through controlled corporation	Total	
Ng Hung Sang (“Mr. Ng”)	(a)	71,652,200	1,272,529,612	1,344,181,812	73.72%
Richard Howard Gorges (“Mr. Gorges”)	(a)	–	487,949,760	487,949,760	26.76%
Cheung Choi Ngor (“Ms. Cheung”)	(a)	–	487,949,760	487,949,760	26.76%

Long positions in ordinary shares of associated corporations:

1. Interests in Shares

(i) South China Brokerage Company Limited (“SCB”) (Note b)

Name of Director	Note	Number of ordinary shares held	Capacity and nature of interest	Percentage of the associated corporation’s issued share capital
Mr. Ng		7,378,000	Directly beneficiary owned	0.15%
	(c)	3,626,452,500	Through controlled corporations	72.46%
		<u>3,633,830,500</u>		<u>72.61%</u>
Mr. Gorges		12,174,000	Directly beneficiary owned	0.24%

(ii) South China Industries Limited (“SCI”) (Note d)

Name of Director	Note	Number of ordinary shares held	Capacity and nature of interest	Percentage of the associated corporation’s issued share capital
Mr. Ng	(e)	396,621,357	Through controlled corporations	74.79%

(iii) Nority International Group Limited (“Nority”) (Note f)

Name of Director	Note	Number of ordinary shares held	Capacity and nature of interest	Percentage of the associated corporation’s issued share capital
Mr. Ng	(g)	255,885,561	Through controlled corporations	95.35%

(iv) Wah Shing International Holdings Limited (“Wah Shing”) (Note h)

Name of Director	Note	Number of ordinary shares held	Capacity and nature of interest	Percentage of the associated corporation’s issued share capital
Mr. Ng	(i)	266,143,588	Through controlled corporations	97.79%

(v) South China Financial Credits Limited (“SCFC”) (Note j)

Name of Director	Note	Number of ordinary shares held	Capacity and nature of interest	Percentage of the associated corporation’s issued share capital
Mr. Ng Yuk Fung, Peter		250,000	Directly beneficiary owned	0.59%

(vi) The Express News Limited (“Express News”) (Note k)

Name of Director	Note	Number of ordinary shares held	Capacity and nature of interest	Percentage of the associated corporation’s issued share capital
Mr. Ng	(l)	30	Through controlled corporation	30%

2. Interests in underlying shares of SCB

Name of Director	Capacity	Number of underlying shares*	Approximate percentage of shareholding
Mr. Gorges	Beneficial owner	30,000,000	0.60%
Ms. Cheung	Beneficial owner	30,000,000	0.60%
Mr. Ng Yuk Fung, Peter	Beneficial owner	50,000,000	1.00%

* Represents underlying shares subject to share options granted to the directors, details of which are as follows:

Name of Director	Date of Grant (DD/MM/YY)	Subscription Price HK\$	No. of share options granted	Exercise Period (DD/MM/YY)
Mr. Gorges	16/03/2006	0.128	10,000,000	16/03/2007 – 15/03/2009
			10,000,000	16/03/2008 – 15/03/2010
			10,000,000	16/03/2009 – 15/03/2011
Ms. Cheung	16/03/2006	0.128	10,000,000	16/03/2007 – 15/03/2009
			10,000,000	16/03/2008 – 15/03/2010
			10,000,000	16/03/2009 – 15/03/2011
Mr. Ng Yuk Fung, Peter	16/03/2006	0.128	10,000,000	16/03/2007 – 15/03/2009
			10,000,000	16/03/2008 – 15/03/2010
			10,000,000	16/03/2009 – 15/03/2011
	26/04/2006	0.128	6,666,667	26/04/2007 – 25/04/2009
			6,666,667	26/04/2008 – 25/04/2010
			6,666,666	26/04/2009 – 25/04/2011

Notes:

- (a)
- The 1,272,529,612 shares referred to above included 371,864,000 shares held by Parkfield Holdings Limited (“Parkfield”), 396,050,252 shares held by Fung Shing Group Limited (“Fung Shing”), 16,665,600 shares held by Ronastar Investments Limited (“Ronastar”), 237,303,360 shares held by Bannock Investment Limited (“Bannock”) and 250,646,400 shares held by Earntrade Investments Limited (“Earntrade”). Parkfield, Fung Shing and Ronastar are all wholly owned by Mr. Ng. Bannock is a wholly owned subsidiary of Earntrade which is owned as to 60% by Mr. Ng, 20% by Ms. Cheung and 20% by Mr. Gorges, all of whom are considered as parties to an agreement to which Section 317 of the SFO applies. As such Mr. Ng, Ms. Cheung and Mr. Gorges were deemed to have an interest in 487,949,760 shares in the Company, which are being held by both Bannock and Earntrade.

- (b) The Company owned 74.59% in the issued share capital of SCB.
- (c) The 3,626,452,500 shares in SCB were held by certain wholly owned subsidiaries of the Company. By virtue of the interests in the shares of the Company in relation to which Mr. Ng has a duty of disclosure under the SFO in the issued share capital of the Company as described in Note (a) above and as a Director of the Company, Mr. Ng is taken to have a duty of disclosure in relation to the said shares of SCB under the SFO.
- (d) SCI was a 74.79% owned subsidiary of the Company.
- (e) The 396,621,357 shares in SCI were held by certain wholly owned subsidiaries of the Company. By virtue of the interests in the shares of the Company in relation to which Mr. Ng has a duty of disclosure under the SFO in the issued share capital of the Company as described in Note (a) above and as a Director of the Company, Mr. Ng is taken to have a duty of disclosure in relation to the said shares of SCI under the SFO.
- (f) SCI owned 95.35% shareholding in Nority and was considered as SCI's subsidiary.
- (g) The 255,885,561 shares in Nority were held by an indirect wholly-owned subsidiary of SCI. By virtue of the interests in the shares of the Company in relation to which Mr. Ng has a duty of disclosure under the SFO in the issued share capital of the Company as described in Note (a) above and as a Director of the Company, Mr. Ng is taken to have a duty of disclosure in relation to the said shares of Nority under the SFO.
- (h) Wah Shing was a 97.79% owned subsidiary of SCI.
- (i) The 266,143,588 shares in Wah Shing were held by a wholly-owned subsidiary of SCI. By virtue of the interests in the shares of the Company in relation to which Mr. Ng has a duty of disclosure under the SFO in the issued share capital of the Company as described in Note (a) above and as a Director of the Company, Mr. Ng is taken to have a duty of disclosure in relation to the said shares of Wah Shing under the SFO.
- (j) SCFC is a 97.44% owned subsidiary of SCB.
- (k) Express News was a 70% owned subsidiary of the Company.
- (l) Mr. Ng and his family, through a company wholly owned and controlled by them, had interests in 30 shares in Express News.
- (m) All interests disclosed above represented long positions in the shares of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

3. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER THE SFO

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, those persons, other than Directors or chief executive of the Company, who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the group and the amount of each of such person’s interest in such securities, together with particulars of any options in respect of such capital; or which were recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Long positions:

Name	Notes	Capacity and nature of interest	Approximate	
			Number of ordinary shares held	Percentage of the Company’s issued share capital
Earntrade	(a)	Beneficial owner and through a controlled corporation	487,949,760	26.76%
Bannock	(a)	Beneficial owner	237,303,360	13.01%
Parkfield		Beneficial owner	371,864,000	20.39%
Fung Shing		Beneficial owner	396,050,252	21.72%

Note:

(a) There is a duplication of interests of 237,303,360 shares in the Company between Earntrade and Bannock.

According to the register of interests and short positions in shares kept by the Company under section 336 of the SFO and so far as was known to the Directors and chief executive of the Company, other than the interests and short positions disclosed above, there were no persons (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had notified to the Company any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the group; or which were recorded in the register required to be kept by the Company under section 336 of the SFO

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contracts with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Ng Hung Sang, being the Chairman of the Company, is also the Chairman of Jessica Publications Limited ("Jessica") and the Co-Chairman of Capital Publications Limited ("Capital"). Mr. Ng Hung Sang, personally and through Parkfield, Fung Shing and Ronastar, has interest in Jessica and Capital. Mr. Ng Hung Sang together with Ms. Cheung Choi Ngor and Mr. Richard Howard Gorges, directors of the Company, have beneficial interests in Earntrade, which directly and indirectly through Bannock holds shares in Jessica and Capital. Ms. Cheung Choi Ngor, who was an ex-director of Capital Publishing Limited, a wholly owned subsidiary of Capital and Mr. Richard Howard Gorges, are also directors of various member of the Group. As both Jessica and Capital are principally engaged in publication business, Mr. Ng Hung Sang, Ms. Cheung Choi Ngor and Mr. Richard Howard Gorges are regarded to be interested in such competing business of the Group. Mr. Ng Yuk Fung, Peter, an Executive Director and the Chief Executive Officer of Jessica and also an Executive Director of Capital, is regarded to be interested in such competing business of the Group.

Ms. Ng Yuk Mui, Jessica is a Non-executive Director of Capital. She is not regarded to have any competing business with the Group since she is not involved in the day-to-day business of Capital.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any of their respective associates had any interest in any business which causes or may cause any significant competition with the business of the Group or any significant conflicts with the interests of the Group.

6. LITIGATION

So far as the Directors are aware, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration or claims which is, in the opinion of the Directors, of material importance and no litigation or claims which is, in the opinion of the Directors, of material importance is known to them to be pending or threatened against any of the Company and its subsidiaries.

7. GENERAL

- (a) The secretary of the Company and qualified accountant of the Company appointed pursuant to Rule 3.24 of the Listing Rules is Ms. Cheung Siu Lan, who is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a certified practising accountant of the Australian Society of Certified Practising Accountants. She is also an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

- (b) The registered office of the Company is situated at Offshore Incorporations (Cayman) Limited, Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands, and its principal place of business in Hong Kong is situated at 28th Floor, Bank of China Tower, 1 Garden Road Central, Hong Kong. The share registrars and transfer office of the Company is Union Registrars Limited at 311-312 Two Exchange Square, Central, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text.